

Message Text

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PAGE 01 BAGHDA 00846 101035Z

16

ACTION COME-00

INFO OCT-01 EA-06 NEA-10 ISO-00 EB-07 SSO-00 NSCE-00 /024 W

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O R 101000Z AUG 75

FM USINT BAGHDAD

TO SECSTATE WASHDC IMMEDIATE 2260

INFO AMEMBASSY BEIRUT

AMEMBASSY TEHRAN

AMEMBASSY TOKYO

LIMITED OFFICIAL USE BAGHDAD 0846

E.O. 11652: NA

TAGS: BEXP, IZ

SUBJ: FERTILIZER PLANTS-KELLOGG INTERNATIONAL

REF: A. STATE 178851 (NOTAL)

B. BAGHDAD 0837 (NOTAL)

1. SUMMARY: PROJECT MANAGER CONFIRMS INFO CONTAINED REFTTEL A THAT SOLE OBJECTION TO KELLOGG BID IS FAILURE TO MAKE FIXED PRICE BID. INFORM KELLOGG THAT UNLESS FIRM WILLING TO MAKE IMMEDIATE OFFER COMPLY WITH GOI'S FIXED PRICE REQUIREMENTS, IT WILL LOSE ONE BILLION DOLLAR FERTILIZER PROJECT TO MITSUBISHI. END SUMMARY.

2. USINT COMATT MET WITH MINISTRY OF INDUSTRY FERTILIZER PLANTS PROJECT OFFICER JULY 19 AND AUG 9 AS PART OF OUR CONTINUOUS LIAISON ON THIS ONE BILLION PROJECT. DURING EXTREMELY FRANK 45 MINUTE AUG 9 MEETING GOI OFFICER SAID THAT HIS MINISTRY'S TECHNICAL EXPERTS HAD SUBMITTED UNANIMOUS RECOMMENDATION IN FAVOR OF KELLOGG BUT THAT FINANCIAL EXPERTS HAD BEEN FORCED BY OVERRIDING FISCAL POLICY TO RECOMMEND MITSUBISHI. PLANNING BOARD MET AUGUST FOURTH AND APPEARS THAT GOVERNMENT LIKELY TO SIGN WITH MITSUBISHI AROUND AUGUST 20. (GERMAN FIRM IS OUT OF RUNNING). PLANNING BOARD TOOK HARD LINE ON PRICING AND SAID THAT "OPEN-ENDED" BIDS (AS KELLOGG'S IS IN PART) ARE NOT ACCEPTABLE.

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PAGE 02 BAGHDA 00846 101035Z

3. MINISTRY OF INDUSTRY EXPERT (WHO IS STRONGLY PRO KELLOGG)

CLAIMED THAT U.S. FIRM CAN STILL WIN CONTRACT EVEN IF ITS BID AS MUCH AS ONE HUNDRED MILLION DOLLARS HIGHER THAN MITSUBISHI. BUT RESPONSE MUST BE IMMEDIATE AND IN FORM OF 100 PERCENT FIXED PRICE (LIKE MITSUBISHI). SOURCE URGED KELLOGG (IF WISHES REMAIN IN CONTENTION) IMMEDIATELY SEND CABLE INDICATING WILLINGNESS TO ABIDE BY GOI FIXED PRICE REQUIREMENT TO MR. TAHA AL-JAZRAWI, ACTING MINISTER OF PLANNING OR DIRECTLY TO RCC VICE CHAIRMAN SADDAM HUSSEIN. LOWER LEVEL INTERVENTION NO LONGER USEFUL, HE SAID. ALSO URGED US FIRM SEND VERY RPT VERY HIGH LEVEL OFFICERS TO BAGHDAD PRIOR TO AUGUST 20 TO MAKE NEW OFFER WHICH SOURCE SAID MUST BE "EARTHSHAKING" IF KELLOGG IS TO KEEP FOOT IN DOOR. COMATT SAID THIS ADVICE WOULD BE RELAYED DISCREETLY AND URGENTLY TO KELLOGG AND URGED MINISTRY DO ANYTHING APPROPRIATE TO DELAY SIGNING WITH MITSUBISHI TO ALLOW KELLOGG OPPORTUNITY TO RESPOND.

4. COMMENT: NO RPT NO REASON TO DOUBT CONTACT WILL BE AWARDED ON ITS ECONOMIC AND TECHNICAL MERITS. AS SOURCE SAID, "IF KELLOGG HAS FAITH IN ITS OWN COST ESTIMATES, THE CONTRACT IS THEIRS." REQUEST USDOC AND OR STATE PASS THIS MESSAGE ASAP TO KELLOGG (NOT ONLY TO ITS WASHINGTON REP BUT TO SENIOR CORPORATE OFFICIALS AS WELL).

5. USINT IS ABLE TO RELAY URGENT MESSAGES TO GOI. IF KELLOGG WISHES USE THIS CHANNEL, WE URGE IT TO USE OUR TELEX (2287 USINT IK) AS ANY OTHER FORM OF COMMUNICATIONS IS TOO SLOW. LOWRIE

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